

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:362
ANSWERED ON:11.08.2017
Wilful Defaulters of Farm Loans
Somaiya Dr. Kirit

Will the Minister of FINANCE be pleased to state:

- (a) the quantum of farm loans waived/ written off since 2014 till date, State/UTwise;
- (b) whether the Government has noticed that expectation of loan waiver has prompted the farmers across the States to stop repayment of loans granted to them by financial institutions and become wilful defaulters;
- (c) if so, the details thereof;
- (d) whether due to loan waiver, the default rate has increased by up to 50 per cent in some States in recent months and if so, the details thereof, State/UT-wise; and
- (e) the action taken/being taken by the Government to address this issue?

Answer

The Minister of Finance

- (a) to (e): A statement is laid on the table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. *362 to be answered on 11.08.2017 regarding Wilful Defaulters of Farm Loans tabled by Dr. KIRIT SOMAIYA.

- (a) to (e): There has been no scheme of farm loan waiver by the Union Government since 2014.

The Reserve Bank of India (RBI) vide its circular dated July 28, 1995, had advised that each bank should have a loan recovery policy duly vetted by the Board of Directors, inter-alia, prescribing the manner of recovery of dues, targeted level of reduction, norms of permitted sacrifice/waiver, factors to be taken into account before considering waivers, decision levels etc. Thus, writing off a loan is a commercial decision of banks as per their board approved policy formulated in conformity with the regulatory guidelines of RBI. Information relating to quantum of farm loans written off, is not centrally maintained. However, RBI has reported that the reduction in Non Performing Asset (NPA) due to write off (including compromise) for agriculture and allied activities during FY 2016-17 in respect of Scheduled Commercial Banks (SCBs) is to the tune of Rs. 7,548 crore.

Data on total outstanding Gross Non Performing Assets (GNPAs) and GNPA ratio for Agriculture & Allied Activities, in respect of Scheduled Commercial Banks (SCBs) for the last three years, as reported by RBI, is as under :

Agriculture and Allied Activities – GNPAs

(in Rs. Crore) Agriculture and Allied Activities - GNPA Ratio

(in Per cent)

March 31, 2015	March 31, 2016	*March 31, 2017	March 31, 2015	March 31, 2016	*March 31, 2017
37,853	51,964	62,307	4.60	5.44	5.61

*Provisional

As per RBI Master Circular dated July 01, 2015, a 'default', to be categorised as 'wilful default', must be intentional, deliberate and calculated. A "wilful default" would be deemed to have occurred if it is noted that default in meeting payment/repayment obligations is accompanied by any of the events mentioned in the said Master Circular which, inter alia, includes diversion and siphoning of the borrowed funds, disposal or removal of the movable fixed assets or immovable property given as security without the knowledge of the lender/bank, etc. The said Master Circular requires Banks and Financial Institutions to put in place a transparent mechanism for identification and penal action to be taken against wilful defaulters as per the relevant provisions therein.

RBI has issued guidelines (July 1, 2015, available on RBI's website) on wilful defaulters to dis-incentivise borrowers who have money and do not pay or have diverted the funds or siphoned off funds or removed assets given as security, indicting action that includes; (i) restricting additional facilities to such defaulters from banks and financial institutions, (ii) barring of such borrowers from institutional finance, (iii) criminal action, (iv) removal of directors of such companies from boards and (v) change in management. Further, banks

and financial institutions are required to report suit-filed/non-suit filed wilful defaulter accounts of Rs 25 lakhs and above to the four Credit Information Companies (CICs) on at least a monthly basis. CICs have been advised to publish this information on their respective websites. RBI vide circular dated September 29, 2016, has provided a mechanism to publish photographs of wilful defaulters in newspapers as per board approved policy of respective financial institution.